

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

TO: HEALTH CARE FINANCING ADMINISTRATION

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. TRANSMITTAL NUMBER:

0 2 - 0 8

2. STATE:

Virginia

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE

July 1, 2002

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR Part

7. FEDERAL BUDGET IMPACT:

a. FFY 2003 \$26,766,406

b. FFY 2004 \$37,424,977

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19 B, pp 7, 8, 8.1

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Pages 7 & 8 Replace

Page 8.1 Adds

10. SUBJECT OF AMENDMENT:

Pharmacy Reimbursement Reduction

GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED: Secretary,
Health and Human Resources

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Patrick W. Finnerty

14. TITLE:

Director

15. DATE SUBMITTED:

8/25/2002

16. RETURN TO:

Department of Medical Assistance Services
600 East Broad Street, Suite 1300
Richmond, Virginia 23219

Attn: Reg. Coordinator

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

9/3/02

18. DATE APPROVED:

4/24/03

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

7/1/02

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

MARY T. MCSORLEY

22. TITLE: ASSOCIATE REGIONAL ADMINISTRATOR
DIVISION OF MEDICAID & CHILDREN'S HEALTH

23. REMARKS:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of VIRGINIA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATE-
OTHER TYPES OF CARE

- §7. Payment for pharmacy services shall be the lowest of items (A) through (E) (except that items (A) and (B) will not apply when prescriptions are certified as brand necessary by the prescribing physician in accordance with the procedures set forth in 42 CFR 447.331(c) if the brand cost is greater than the Centers for Medicare and Medicaid Services (CMS) upper limit or VMAC cost) subject to the conditions, where applicable, set forth in items (F) and (G) below:
- A. The upper limit established by the CMS for multiple source drugs pursuant to 42 CFR §§447.331 and 447.332, as determined by the CMS Federal Upper Limit List plus a dispensing fee. If the agency provides payment for any drug on the CMS Federal Upper Limit List, the payment shall be subject to the aggregate upper limit payment test.
 - B. The Virginia Medicaid Maximum Allowable Cost (VMAC) established by the Virginia Department of Medical Assistance Services to be inclusive of appropriate multiple source and specific high cost drugs plus a dispensing fee. Multiple source drugs may include but are not limited to Food and Drug Administration-rated products such as drugs established by a Virginia Voluntary Formulary (VVF) drugs, Federal Upper Limit Drugs, and any other state or federally approved listing. Multi-source drugs means covered outpatient drugs, for which there are two or more drug products, which:
 - a. Are included in the Centers for Medicare and Medicaid Services' state drug rebate program;
 - b. Have been approved by the Federal Food and Drug Administration (FDA);
 - c. Are included in the Approved Products with Therapeutic Equivalence Evaluations as generically equivalent; and
 - d. Are sold or marketed in Virginia.
 - C. The Estimated Acquisition Cost (EAC) which shall be based on the published Average Wholesale Price (AWP) minus a percent discount established by the General Assembly or in the absence thereof by the following methodology set out in (a) - (c) below.
 - a. Percent discount shall be determined by a statewide survey of providers' acquisition cost.
 - b. The survey shall reflect statistical analysis of actual provider purchase invoices.
 - c. The agency will conduct surveys at intervals deemed necessary by DMAS.

TN No. 02-08
Supersedes
TN No. New Page

Approval Date 4/24/03

Effective Date 07-01-02

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of VIRGINIA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATE- OTHER TYPES OF CARE

- D. Reserved.
- E. The providers' usual and customary charge to the public, as identified by the claim.
- F. Payment for pharmacy services will be as described above; however, payments for legend drugs will include the allowed cost of the drug plus only one dispensing fee per month for each specific drug. Exceptions to the monthly dispensing fees shall be allowed for drugs determined by the Department to have unique dispensing requirements. The dispensing fee of \$4.25 (effective July 1, 1995) shall remain in effect
- *G. The Program pays additional reimbursement for the 24-hour unit dose delivery system of dispensing drugs. This service is paid only for patients residing in nursing facilities. Reimbursements are based on the allowed payments described above plus the unit dose add on fee and an allowance for the cost of unit dose packaging established by the State Agency. The maximum allowed drug cost for specific multiple source drugs will be the lesser of: either the VMAC, based on the 60th percentile or maximum cost level, as identified by the State Agency or CMS' upper limits as applicable. All other drugs will be reimbursed at drug costs not to exceed the estimated acquisition cost determined by the State Agency.*
- H. The General Assembly determination of EAC was the result of a report by the Office of the Inspector General (OIG) which focused on appropriate Medicaid marketplace pricing of pharmaceuticals based on the documented costs to the pharmacy. As mandated by the General Assembly, an EAC of AWP minus 10.25% shall become effective July 1, 2002.
- 9. Home infusion therapy.
 - a. The following therapy categories shall have a pharmacy service day rate payment allowable: hydration therapy, chemotherapy, pain management therapy, drug therapy, total parenteral nutrition (TPN). The service day rate payment for the pharmacy component shall apply to the basic components and services intrinsic to the therapy category. Submission of claims for the per diem rate shall be accomplished by use of the HCFA 1500 claim form.

*NOTE: Presently, these referenced unit dose add-on and unit dose package fees are \$0.0157 and \$0.016 respectively.

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